

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

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3 **CARL J. KUNASEK**

4 Chairman

5 **JIM IRVIN**

6 Commissioner

7 **WILLIAM A. MUNDELL**

8 Commissioner

9 In the matter of )

DOCKET NO. S-03312A -99-0000

10 Charles Shull, )

11 687 Pampas Place )

12 Sierra Vista, Arizona 85636 )

**NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING PROPOSED  
ORDER FOR RELIEF**

13 John Ebdon )

14 4814 Equestrian Avenue )

15 Sierra Vista, Arizona 85650 )

16 Cochise Financial Corp., )

17 687 Pampas Place )

18 Sierra Vista, Arizona 85636 )

19 Respondents. )

20 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

21 For its proposed order for relief, the Securities Division (the "Division") of the Arizona Corporation  
22 Commission (the "Commission") alleges that respondents, Charles J. Shull ("SHULL"), John Ebdon  
23 ("EBDON") and Cochise Financial Corp. ("COCHISE"), singularly and in concert, have engaged in acts,  
24 practices and transactions, which constitute violations of A.R.S. § 44-1801 et seq., the Securities Act of  
25 Arizona (the "Securities Act"). As a result of these violations, Respondents are subject to an Order to Cease  
26 and Desist, an Order of Restitution and any other appropriate relief.

The Division alleges as follows:

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over these matters pursuant to Article XV of the Arizona  
Constitution and the Securities Act.

**II.**

**RESPONDENTS**

2. SHULL'S last known address is 687 Pampas Place, Sierra Vista, Arizona 85636 .

3. SHULL was President/CEO, Secretary, Treasurer and the sole Director and owner of COCHISE at all relevant times herein.

4. EBDON'S last known address is 4814 Equestrian Avenue, Sierra Vista, Arizona 85650.

5. COCHISE'S last know address is 687 Pampas Place, Sierra Vista, Arizona 85636.

6. COSHISE is a mortgage brokerage business which was incorporated in Arizona in September 1986.

7. COCHISE is licensed with the State of Arizona Banking Department as a Mortgage Broker.

8. The respondents may be collectively referred to as "RESPONDENTS."

**III.**

**FACTS**

9. Each of the preceding paragraphs is incorporated by reference.

10. From in or about June 1995 through June 1999, RESPONDENTS represented that Dan Garcia, EBDON'S son-in-law, was awarded \$40 million dollars against the State of Arizona for a medical misdiagnosis judgment. RESPONDENTS asserted that funds were needed to pay Mr. Garcia's attorney to collect the judgment, to pay court costs, to pay a bonding company and for other miscellaneous costs and expenses. No such judgment against the State of Arizona in favor of Dan Garcia exists nor has it ever existed.

11. Beginning in or about June 1995 through June 1999, SHULL offered for sale and sold securities within or from the State of Arizona in the form of promissory notes. SHULL conducted solicitations, sale of securities and other related business in the name of COCHISE.

12. Beginning in or about June 1995 through June 1999, EBDON offered for sale and sold securities within or from the State of Arizona in the form of promissory notes.

13. None of RESPONDENTS were registered securities dealers or salesmen in the State of Arizona. The promissory notes were not registered for sale in the State of Arizona, nor exempt securities, nor offered in reliance upon an available exemption from registration.

14. RESPONDENTS raised at least \$70,579 from at least two investors by selling securities in the form of promissory notes.

15. EBDON is the sole payor on the majority of the promissory notes. EBDON and Irene Ebdon are the payors on all other promissory notes.

16. One investor made six separate investments totaling more than \$14,000. This investor received a promissory note with each investment. The total face value of these promissory notes is \$585,000.

17. Another investor made eleven separate investments totaling \$56,579. This investor received a promissory note with each investment. Later, he received one promissory note for \$1,400,000 in exchange for the prior notes he was given.

18. It is believed that at least thirty-five other investors exist.

#### IV.

## VIOLATION OF A.R.S. § 44-1841

**(Offer and Sale of Unregistered / Unauthorized Securities)**

19. Each of the preceding paragraphs is incorporated by reference.

20. From on or about June 1995, RESPONDENTS offered and/or sold securities in the form of promissory notes, within and/or from Arizona.

21. The securities referred to above were not registered under A.R.S. §§ 44-1871 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order promulgated by the Commission.

22. This conduct violates A.R.S. § 44-1841.

V.

**VIOLATION OF A.R.S. § 44-1842**

**(Transactions by Unregistered Dealers and Salesmen)**

23. Each of the preceding paragraphs is incorporated by reference.

24. In connection with the offers to sell and the sale of securities, RESPONDENTS acted as dealers and/or salesmen within and/or from Arizona, although not registered pursuant to the provisions of Article 9 of the Securities Act.

25. This conduct violates A.R.S. § 44-1842.

VI.

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer and Sale of Securities)**

26. Each of the preceding paragraphs is incorporated by reference.

27. In connection with the offer and sale of securities within and/or from Arizona, RESPONDENTS directly or indirectly: (i) made an untrue statement of material fact, or omitted to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (ii) engaged in any transaction, practice or course of business which operated or would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' fraudulent conduct included, but is not limited to: representing to investors that money was needed to pay court costs and fees, attorney costs, fees to a bonding company and other miscellaneous expenses and fees to collect a judgment against the State of Arizona in favor of Daniel Garcia when in fact no such judgment ever existed; representing to investors that the promissory notes issued to them would be paid at face value from collection of the judgment against the State of Arizona when in fact no such judgment ever existed; and by issuing numerous promissory notes over more than a two year period, with very short term due dates, to investors and failing to pay as promised on any note.

28. This conduct violates A.R.S. § 44-1991.

29. RESPONDENTS are jointly and severally liable for the conduct alleged above pursuant to A.R.S. § 44-2003(A).

**VII.**

**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief against each respondent:

1. Order RESPONDENTS to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;

2. Order RESPONDENTS to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including without limitation a requirement to make restitution pursuant to A.R.S. § 44-2032 and A.A.C. R14-4-308;

3. Order RESPONDENTS to pay the state of Arizona an administrative penalty of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order any other relief that the Commission deems appropriate and authorized by law.

**VIII.**

**HEARING OPPORTUNITY**

In accordance with A.R.S. §§ 44-1972 and 44-3212 and A.A.C. R14-4-306, RESPONDENTS are notified that each respondent is afforded an opportunity for a hearing only by filing a written request for a hearing and cover sheet with Docket Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10 days after service of this Notice. RESPONDENTS are further notified that a cover sheet must accompany all filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

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1 The date set for the hearing shall be within 30 days, but not earlier than 15 days after the request for  
2 the hearing has been docketed, unless otherwise provided by law, stipulated by the parties, or ordered by  
3 the Commission. Any respondent who does not request a hearing within the time prescribed is subject to  
4 the Commission issuing an order against that respondent containing such relief as the Commission deems  
5 appropriate, including but not limited to the relief requested above.

6 Persons with a disability may request a reasonable accommodation such as a sign language  
7 interpreter, as well as request this document in an alternative format, by contacting Cynthia Mercurio-  
8 Sandoval, ADA Coordinator, voice phone number 602/542-0838, e-mail [csandoval@cc.state.az.us](mailto:csandoval@cc.state.az.us).  
9 Requests should be made as early as possible to allow time to arrange the accommodation.

10 Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1999.

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Victor Rodarte  
Assistant Director of Securities  
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